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SOUTHERN INYO HEALTHCARE DISTRICT

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
FRESNO DIVISION

In re
SOUTHERN INYO HEALTHCARE
DISTRICT,

Debtor.

Case No.: 2016-10015 FEC

Chapter 9

Doc. No. BH-~~19~~20

~~FIRST~~SECOND AMENDED PLAN FOR
THE ADJUSTMENT OF DEBTS OF
SOUTHERN INYO HEALTHCARE
DISTRICT

Confirmation Hearing:

Date: TBD
Time: TBD
Place: Dept A, Ctrm 11
U.S. Bankruptcy Court
2500 Tulare Street
Fresno, CA 93721

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ATTORNEYS AT LAW
LOS ANGELES

1 **CAVEAT:** The Bankruptcy Court has not yet approved a disclosure statement with respect
2 to the plan of adjustment of debts for Southern Inyo Healthcare District. The filing and
3 distribution of this proposed plan is not intended and should not be construed as a
4 solicitation of acceptance or rejection of the plan of adjustment of debts.

5 [This caveat shall be removed prior to solicitation]
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1 Southern Inyo Healthcare District (the “District”), a California local healthcare district and
2 debtor under chapter 9 of the Bankruptcy Code, hereby proposes the following ~~First~~Second
3 Amended Plan for the Adjustment of Debts (the “Plan”) pursuant to section 941 of the Bankruptcy
4 Code.¹

5 Please refer to the accompanying Disclosure Statement for a discussion of the District’s
6 history, operations, and financial condition, and for a summary and analysis of this Plan and other
7 important information. The District encourages you to read this Plan and the Disclosure Statement
8 in their entirety before voting to accept or reject this Plan. No materials other than the Disclosure
9 Statement and the associated Exhibits and Schedules have been approved for use in soliciting
10 acceptance or rejections of this Plan.

11 **I. DEFINITIONS, INTERPRETATION AND RULES OF CONSTRUCTION**

12 **A. Definition**

13 1. **Administrative Claim** means the costs or expenses of administration of the
14 Chapter 9 Case not already paid by the District, allowed under section 503(b) and entitled to
15 priority under section 507(a)(2) to the extent made applicable in Chapter 9: (i) which the District
16 agrees is an Allowed administrative expense; or (ii) which the Bankruptcy Court determines is an
17 Allowed administrative expense. The District’s consent to the Bankruptcy Court adjudicating
18 Administrative Claim status is given without the District in any way consenting or agreeing that
19 Claims for postpetition obligations of the District are or would be entitled to status as
20 Administrative Claims as “the actual necessary costs and expenses of preserving the estate” under
21 section 503(b).

22 2. **Allowed** means a Claim that:

23 a. Is asserted in a proof of Claim filed in compliance with section 501
24 of the Bankruptcy Code and any applicable order of the Bankruptcy Court and as to which
25 (i) no objection has been filed within the deadline established pursuant to Section X.A., (ii)
26 the Bankruptcy Court has entered a Final Order allowing all or a portion of such Claim (but
27

28 ¹ The definitions of capitalized terms used throughout this Plan are set forth in Section I.A.

only to the extent allowed), or (iii) the Bankruptcy Court has entered a Final Order under section 502(c) of the Bankruptcy Code estimating the amount of the Claim for purposes of allowance;

b. Is subject to a stipulation between the District and the holder of such Claim providing for the allowance of such Claim; or

c. Is a Professional Claim as to which the Bankruptcy Court has entered an order deeming such Claim as reasonable in whole or in part (but only to the extent deemed reasonable).

3. **Ballot** means the ballot(s), in the form(s) approved by the Bankruptcy Court in the Plan Solicitation Order accompanying the Disclosure Statement and provided to each holder of a Claim entitled to vote to accept or reject this Plan.

4. **Bankruptcy Code** means title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 9 Case. Unless otherwise indicated, references in this Plan to “section ____” are to the specifically identified section of the Bankruptcy Code.

5. **Bankruptcy Court** means the United States Bankruptcy Court for the Eastern District of California, Fresno Division, or such other court that lawfully exercises jurisdiction over the Chapter 9 Case.

6. **Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure, as amended from time to time, as applicable to the Chapter 9 Case, together with the local rules of the Bankruptcy Court applicable to the Chapter 9 Case. Unless otherwise indicated, references to “Bankruptcy Rules ____” are to the specifically identified rule of the Federal Rules of Bankruptcy Procedure.

7. **Bar Date** means the applicable date by which a particular proof of claim must be filed, as established by this Plan or the Bankruptcy Court.

~~8. **Bond Measure** means the bond initiative proposed by the District relating to the issuance of \$5,000,000 in general obligations prior to the Effective Date.~~

1 8. ~~9.~~ **Business Day** means a day other than a Saturday, a Sunday, or any other
2 day on which banking institutions in Los Angeles, California, are required or authorized to close by
3 law or executive order.

4 9. ~~10.~~ **Cash** means cash and cash equivalents, including, without limitation,
5 withdrawable bank deposits, wire transfers, checks, and other similar items.

6 10. ~~11.~~ **Chapter 9 Case** means the case under chapter 9 of the Bankruptcy Code
7 commenced by the District and styled as *In re Southern Inyo Healthcare District*, Case No.
8 2016-10015 FEC, currently pending in the Bankruptcy Court.

9 11. ~~12.~~ **Claim** has the meaning set forth in section 101(5).

10 12. ~~13.~~ **Class** means any group of Claims classified herein pursuant to section
11 1123(a).

12 13. ~~14.~~ **Collateral** means any property or interest in property of the District
13 subject to a lien or security interest that is not subject to avoidance under the Bankruptcy Code or
14 otherwise invalid under the Bankruptcy Code or applicable federal and/or state law.

15 14. ~~15.~~ **Committee** means the Official Committee of Unsecured Creditors of
16 Southern Inyo Healthcare District, appointed in the Chapter 9 Case by the Office of the United
17 States Trustee pursuant to section 1102(a)(1) of the Bankruptcy Code.

18 15. ~~16.~~ **Confirmation Date** means the date on which the Bankruptcy Court
19 enters the Confirmation Order.

20 16. ~~17.~~ **Confirmation Hearing** means the hearing to be conducted by the
21 Bankruptcy Court regarding confirmation of this Plan, as such hearing may be adjourned,
22 reconvened or continued from time to time.

23 17. ~~18.~~ **Confirmation Order** means the order of the Bankruptcy Court
24 confirming this Plan pursuant to section 943 of the Bankruptcy Code.

25 18. ~~19.~~ **Convenience Class Claim** means any Allowed Claim that is greater
26 than \$0.00 in Allowed amount and less than or equal to \$250 in Allowed amount.

1 19. ~~20.~~ **Disallowed** means a Claim or portion thereof that: (i) has been
2 disallowed by a Final Order of the Bankruptcy Court; (ii) has been listed by the District in its list of
3 creditors, as it may be amended from time to time, in the amount of \$0.00 or an unknown amount,
4 or as contingent, disputed, or unliquidated, and as to which no proof of claim has been filed by the
5 applicable deadline or deemed timely filed pursuant to any Final Order of the Bankruptcy Court;
6 (iii) as to which the holder thereof has agreed to be equal to \$0.00 or to be withdrawn, disallowed or
7 expunged; or (iv) has not been listed in the list of creditors and as to which no proof of claim has
8 been filed by the applicable deadline or deemed timely filed pursuant to a Final Order of the
9 Bankruptcy Court.

10 20. ~~21.~~ **Disclosure Statement** means the disclosure statement, and all exhibits
11 and schedules incorporated therein, that relates to this Plan and that is approved by the Bankruptcy
12 Court pursuant to section 1125 of the Bankruptcy Code, as the same may be amended, modified or
13 supplemented in accordance with the Bankruptcy Code.

14 21. ~~22.~~ **Disputed Claim** means any Claim or portion thereof that has not
15 become Allowed and that is not Disallowed. In the event that any part of a Claim is disputed,
16 except as otherwise provided in this Plan, such Claim shall be deemed disputed in its entirety for
17 purposes of distribution under and voting on this Plan unless the District in its sole discretion agrees
18 otherwise. Without limiting the foregoing, a Claim that is the subject of a pending application,
19 motion, complaint, objection, or any other legal proceeding seeking to disallow, limit, reduce,
20 subordinate, or estimate such Claim shall be deemed to be disputed.

21 22. ~~23.~~ **District** means the Southern Inyo Healthcare District, a California local
22 healthcare district and debtor in the Chapter 9 Case.

23 23. ~~24.~~ **District Assets** means any and all property, whether real or personal,
24 tangible or intangible, in which the District holds an interest.

25 24. ~~25.~~ **Effective Date** means the first Business Day after the Confirmation Date
26 on which the conditions specified in Section XIII.B. of the Plan have been satisfied or waived.

1 25. ~~26.~~ **Eligibility Contest** means, collectively, the trial on the District's
2 eligibility to be a debtor under Chapter 9 of the Bankruptcy Code and all ancillary and related
3 pleadings, discovery, hearings, and actions.

4 26. ~~27.~~ **Exculpated Party** means the District as well as its predecessors,
5 successors, assigns and present and former affiliates and subsidiaries, and each of their respective
6 current and former officers, directors, principals, employees, shareholders, members (including ex
7 officio members), partners, agents, financial advisors, attorneys, accountants, investment bankers,
8 investment advisors, consultants, representatives, and other professionals, and any individual or
9 entity claiming by or through any of them; provided, however, HCCA as well as its predecessors,
10 successors, assigns and present and former affiliates and subsidiaries, and each of their respective
11 current and former officers, directors, principals, employees, shareholders, members (including ex
12 officio members), partners, and agents shall not constitute an Exculpated Party.

13 27. ~~28.~~ **Final Order** means an order to which (a) no timely appeal has been filed
14 challenging the order or, (b) if a timely appeal has been filed, no order staying the effect of the order has been
15 requested or entered. A notice of appeal shall be deemed timely if filed within the time allotted under
16 Bankruptcy Rule 8002.

17 28. ~~29.~~ **General Unsecured Claim** means any unsecured Claim *that is not* (i) an
18 Administrative Claim, (ii) a Professional Claim, (iii) a Secured Claim, or (iv) a Post-Petition Claim.

19 29. ~~30.~~ **HCCA** means Healthcare Conglomerates Associates, the company
20 previously employed by the District to manage and restructure the operations of the District's
21 facilities and services.

22 ~~31. — **HCCA Loan** means the series of loan from HCCA to the District evidenced~~
23 ~~by the secured promissory note executed by the District and effective on or about January 4,~~

24 ~~2016.32. — **HCCA Management Agreement** means the Management Services Agreement~~
25 ~~entered into January 2, 2016 between the District and HCCA.~~

26 30. ~~33.~~ **Health & Safety Code** means the California Health and Safety Code
27 (Cal. Health & Safety Code §§ 135, *et seq.*).
28

1 31. ~~34.~~ **Impaired** means a Claim or Interest that is impaired within the meaning
2 of section 1124 of the Bankruptcy Code.

3 32. ~~35.~~ **Notice of Effective Date** shall have the meaning ascribed to such phrase
4 in Section XIV.G. of the Plan.

5 33. ~~36.~~ **Optum** means Optum Bank, Inc. as well as its predecessors, successors,
6 assigns and present and former affiliates and subsidiaries, and each of their respective current and
7 former officers, directors, principals, employees, shareholders, members (including ex officio
8 members), partners, agents, financial advisors, attorneys, accountants, investment bankers,
9 investment advisors, consultants, representatives, and other professionals, and any individual or
10 entity claiming by or through any of them.

11 34. ~~37.~~ **Optum Adversary** means the adversary proceeding commenced by the
12 District against Optum in the Bankruptcy Court, through which the District seeks to invalidate the
13 Optum Loan, set aside the associated security interest, and disallow the Optum Claim.

14 35. ~~38.~~ **Optum Claim** means the proof of claim filed by Optum against the
15 District in the Chapter 9 Case—namely, proof of claim number 25—and any amendments thereto.

16 36. ~~39.~~ **Optum Loan** means the loan given to the District by Optum pursuant to
17 the Business Loan Agreement dated February 20, 2015 and as reflected in the Promissory Note
18 dated February 20, 2015, the Commercial Security Agreement dated February 20, 2015, and other
19 associated documents, and set to mature on February 20, 2025.

20 ~~40. — **Ordinary Course Administrative Claim** means an Administrative Claim,~~
21 ~~other than a Professional Claim, that represents an obligation incurred in the ordinary course of~~
22 ~~business of the District (as determined by the District in its sole discretion).~~

23 37. ~~41.~~ **Petition Date** means January 4, 2016.

24 38. ~~42.~~ **Plan** means this ~~First~~Second Amended Plan for the Adjustment of
25 Debts, together with all Exhibits hereto, each in their present form or as they may be altered,
26 amended or modified from time to time in accordance with the provisions of this Plan, the
27 Confirmation Order, the Bankruptcy Code, and the Bankruptcy Rules.

1 39. ~~43.~~ **Plan Exhibits** means the pleading titled Exhibits to Second Amended
2 Plan for the Adjustment of Debts of Southern Inyo Healthcare District and Disclosure Statement
3 Relating Thereto. Unless otherwise stated, any reference contained herein to an “Exhibit” refers to
4 an exhibit appended to the Plan Exhibits.

5 40. ~~44.~~ **Plan Solicitation Order** means the order by which the Bankruptcy
6 Court approved the Disclosure Statement as containing adequate information for the purpose of
7 dissemination and solicitation of votes on and confirmation of this Plan and established certain
8 rules, deadlines, and procedures for the solicitation of votes with respect to and the balloting of this
9 Plan.

10 41. ~~45.~~ **Post-Petition Claim** means any Claim asserted against the District
11 relating to a debt incurred by the District after the Petition Date.

12 42. ~~46.~~ **Pre-Confirmation Date Claim** means a Claim against the District that
13 arose prior to the Confirmation Date.

14 43. ~~47.~~ **Professional** means each or any of the law firm of Baker & Hostetler,
15 LLP, general insolvency counsel for the District, Nave Cortell LLP, general counsel for the
16 District, ~~HCCA~~, and Province, and may include any special counsel employed by the District.

17 44. ~~48.~~ **Professional Claim** means a Claim asserted by a Professional.

18 45. ~~49.~~ **Province** means Province, Inc., the former financial advisor for the
19 District in the course of the Chapter 9 Case.

20 46. ~~50.~~ **Rights of Action** means any rights, claims, or causes of action owned
21 by, accruing to, or assigned to the District pursuant to the Bankruptcy Code or pursuant to any
22 contract, statute, or legal theory, including, without limitation, any rights to, claims, or cause of
23 action for recovery under any policies of insurance issued to or on behalf of the District.

24 47. ~~51.~~ **Secured Claim** means a Claim that is secured, in whole or in part, (a) by
25 a lien that is not void or otherwise subject to avoidance or subordination under the Bankruptcy
26 Code or applicable non-bankruptcy law, or (b) as a result of rights of setoff under section 553 of the
27 Bankruptcy Code, but in any event only to the extent of the value, determined in accordance with
28

1 section 506(a) of the Bankruptcy Code, of the holder's interest in the District's interest in property
2 or to the extent of the amount subject to such setoff, as the case may be.

3 48. ~~52.-SNF~~ means the skilled nursing facility owned and operated by the
4 District.

5 49. ~~53.-Unimpaired~~ means a Claim that is not Impaired.

6 **B. Rules of Construction**

7 The following rules of construction apply to this Plan: (a) unless otherwise specified, all
8 references in this Plan to "Sections" and "Exhibits" are to the respective Sections in or Exhibits to
9 this Plan, as the same may be amended or modified from time to time; (b) the headings in this Plan
10 are for convenience of reference only and do not limit or otherwise affect the provisions of this
11 Plan; (c) words denoting the singular number include the plural number and vice versa; (d) the rules
12 of construction set forth in section 102 of the Bankruptcy Code apply; (e) in computing any period
13 of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) apply; and (f)
14 the words "herein," "hereof," "hereto," "hereunder," and others of similar import refer to this Plan
15 as a whole and not to any particular Section, subsection, or clause contained in this Plan.

16 **II. TREATMENT AND DEADLINE FOR THE ASSERTION OF ADMINISTRATIVE**
17 **CLAIMS AND PROFESSIONAL CLAIMS**

18 **A. Treatment of Administrative Claims**

19 Except to the extent that the holder of an Allowed Administrative Claim agrees to a
20 different treatment, the District or its agent shall pay to each holder of an Allowed Administrative
21 Claim, in full satisfaction, release, and discharge of such Allowed Administrative Claim, Cash in an
22 amount equal to such Allowed Administrative Claim on the later of (i) the Effective Date or (ii) the
23 date on which such Claim becomes an Allowed Administrative Claim, or as soon thereafter as is
24 practicable. Under the Plan, the Allowed Administrative Claims consist of the following:
25 SourceMedia, Inc. (\$34,321.00); and Up-to-Date (\$0.00).²

26
27
28 ² The amounts listed herein are estimates of amount owing on account of the Allowed Administrative Claims on the Effective Date.

B. Treatment of Professional Claims

Pursuant to section 943(b)(3), all amounts paid or to be paid following the Effective Date for services or expenses in the Chapter 9 Case or incident to this Plan must be disclosed to the Bankruptcy Court and must be reasonable. There shall be paid to each holder of a Professional Claim, in full satisfaction, release and discharge of the Professional Claims existing on the Effective Date, Cash in an amount equal to that portion of such Claim that the Bankruptcy Court deems reasonable.³

The portion of the Allowed Professional Claim of Baker & Hostetler LLP relating to attorneys' fees shall be paid in equal monthly payments over a term of thirty-six (36) months following the Effective Date. The District estimates that the attorneys' fees incurred by Baker & Hostetler LLP for services rendered to the District prior to the Effective Date shall total approximately \$~~800,000~~850,000 as of the Effective Date. The Allowed Professional Claims of Nave Cortell LLP, ~~HCCA~~, and Province as well as the portion of the Allowed Professional Claim of Baker & Hostetler LLP relating to costs incurred in the course of the Chapter 9 Case shall be paid in full upon, or as soon as reasonably practicable following, the Effective Date. The District estimates that Nave Cortell LLP, ~~HCCA~~, and Province shall have Professional Claims in the amount of approximately \$~~30,593.00~~, ~~\$1,439,117.00~~, 24,149.22, and \$20,761.75, respectively, as of the Effective Date. The District estimates that the portion of the Allowed Professional Claim of Baker & Hostetler LLP relating to costs incurred in the course of the Chapter 9 Case shall total approximately \$~~150,000~~200,000 as of the Effective Date.⁴

The District does not consent to the Bankruptcy Court adjudicating whether any other individual or entity constitutes a Professional or may assert a Professional Claim. The District solely consents to the Bankruptcy Court adjudicating the reasonableness of the services rendered and costs incurred by the Professionals for which compensation and/or reimbursement is sought.

³ The treatment of Professional Claims provided herein shall not in any way limit the rights of any professional employed by the District seeking compensation for services provided following the Effective Date. The amounts listed in this Section are estimates of the Professional Claims and shall not in any way be interpreted as a limitation on the amount of the Professional Claims.

⁴ This figure includes projected costs for Force 10 Partners, the financial advisory firm retained by Baker & Hostetler LLP to assist with the preparation of the Plan and associated documents.

1 The District, in the ordinary course of its business, and without the requirement for
2 Bankruptcy Court approval, may pay for professional services rendered and costs incurred
3 following the Effective Date.

4 **C. Priority Claims in Chapter 9**

5 The only priority claims incorporated into chapter 9 through section 901 are those allowed
6 under section 503(b) and entitled to priority under section 507(a)(2). The treatment of all such
7 Administrative Claims is set forth immediately above in Sections II.A. and II.B. No other kinds of
8 priority claims set forth in section 507 are recognized in chapter 9 cases.

9 **D. Deadline for the Filing and Assertion of Postpetition Claims, Administrative**
10 **Claims ~~(Other Than Ordinary Course Administrative Claims)~~, and**
11 **Professional Claims**

12 **All proofs of claim for Claims arising on or after the Petition Date, and requests for**
13 **payment or any other means of preserving and obtaining payment of Administrative Claims**
14 **that have not been paid, released, or otherwise settled, and all requests a determination**
15 **regarding the reasonableness of Professional Claims, must be filed with the Bankruptcy**
16 **Court and served upon the District no later than thirty (30) days before the date set for the**
17 **Confirmation Hearing.** Any proof of claim for Claims arising on or after the Petition Date, or
18 request for payment of an Administrative Claim or a Professional Claim that is not timely filed will
19 be forever barred and holders of such Claims shall be barred from asserting such Claims in any
20 manner against the District.

21 **III. DESIGNATION OF CLASSES OF CLAIMS**

22 Pursuant to sections 1122 and 1123(a)(1), all Claims other than Administrative Claims and
23 Professional Claims are classified for all purposes, including voting, confirmation, and distribution
24 pursuant to this Plan, as follows:

25 Class 1 – Secured Claims

26 Class 1A – Action Capital Corporation

27 Class 1B – Bank of the West

Class 1C – Canon Financial Services, Inc.

Class 1D – Cardinal Health 110, LLC

Class 1E – Healthcare Resource Group

Class 1F – Optum Bank, Inc.⁵

Class 1G – Vi Healthcare Finance, Inc.

Class 2 – Post-Petition Claims

Class 3 – General Unsecured Claims

Class 4 – Convenience Class Claims

IV. TREATMENT OF CLAIMS

A. Class 1 – Secured Claims⁶⁵

1. Class 1A – Action Capital Corporation

Class 1A consists of the Claim asserted by Action Capital Corporation (also known as Coast to Coast Healthcare) in the amount of \$185,600.35, which is purportedly secured by all accounts receivable of the District arising on or before January 31, 2015.

a. Impairment and Voting

Class 1A is Impaired by this Plan since the treatment of this Class will affect the legal, equitable, or contractual rights of Action Capital Corporation. Accordingly, this Class is entitled to vote to accept or reject the Plan in accordance with the Plan Solicitation Order.

b. Treatment

Action Capital Corporation's Class 1A Claim is purportedly secured solely by accounts receivable generated on or before January 31, 2015, which the District estimates to be worth \$0.00.

⁵ ~~Optum has asserted a secured claim against the District — i.e., the Optum Claim. For the reasons set forth in Section V.A.3 of the Disclosure Statement and in the Optum Adversary, the District disputes the validity of the Optum Claim. The District commenced the Optum Adversary in order to disallow the Optum Claim, and invalidate the Optum Loan and the purported security interest related thereto. The treatment provided in the Plan for the Optum Claim is contingent on the allowance of such claim and shall not in any way constitute an admission of any factual or legal issue, including, without limitation, the validity or enforceability of the Optum Claim, the Optum Loan, and/or any associated security interest(s) or lien(s).~~

⁶⁵ In Schedule D, the District scheduled as Secured Claims certain Claims asserted by General Electric Capital Corporation, Leasing Associates of Barrington, Inc. (also known as LAB), HCCA, Marlin Leasing Corporation, Siemens Healthcare Diagnostics, Inc. (also known as Siemens Financial Services, Inc.), and U.S. Foods, Inc. The foregoing claimants are not treated as Secured creditors under the Plan for the reasons set forth in Section V.A.5 of the Disclosure Statement.

1 Accordingly, in full satisfaction, release and discharge of the Class 1A Claim, Action Capital
2 Corporation shall receive an allowed General Unsecured Claim in the amount of \$185,600.35,
3 which shall be included in and treated in accordance with the treatment provided for Class 3
4 Claims.

5 **2. Class 1B – Bank of the West/Thermo Fisher Financial Services, Inc.**

6 Class 1B consists of the Claims asserted by Bank of the West in the amount of \$7,189.61
7 and Thermo Fisher Financial Services, Inc. in the amount of \$12,443.46,⁷⁶ which are purportedly
8 secured by an Abbott iSTAT 1 Upgrade from 200 Series and the related equipment and
9 documentation.

10 **a. Impairment and Voting**

11 Class 1B is Impaired by this Plan since the treatment of this Class will affect the legal,
12 equitable, or contractual rights of Bank of the West and/or Thermo Fisher Financial Services, Inc.
13 Accordingly, this Class is entitled to vote to accept or reject this Plan in accordance with the Plan
14 Solicitation Order.

15 **b. Treatment**

16 In full satisfaction, release and discharge of the Class 1B Claims, the District shall surrender
17 to Bank of the West or Thermo Fisher Financial Services, Inc. the collateral for the underlying
18 agreements—namely, one Abbott iSTAT 1 Upgrade from 200 Series and the related equipment and
19 documentation. The District shall surrender the subject equipment and documentation on or as
20 soon as practicable following the Effective Date.

21 **3. Class 1C – Canon Financial Services, Inc.**

22 Class 1C consists of the Claim asserted by Canon Financial Services, Inc. in the amount of
23 \$84,275.90, which is purportedly secured by certain office equipment subject to the agreements by
24 and between the District and Canon Financial Services, Inc. or its affiliates.

25
26 ⁷⁶ Bank of the West and Thermo Fisher Financial Services, Inc. each filed proofs of claim asserting secured claims in
27 the subject collateral. Per the documentation provided in support of the proofs of claim, it appears that Thermo Fisher
28 Financial Services, Inc. assigned its rights under the agreement with the District to Bank of the West in or about June
2013. Accordingly, under this Plan, the Claims asserted by Bank of the West and Thermo Fisher Financial Services,
Inc. are treated as one and the same.

1 **a. Impairment and Voting**

2 Class 1C is Impaired by this Plan since the treatment of this Class will affect the legal,
3 equitable, or contractual rights of Canon Financial Services, Inc. Accordingly, this Class is entitled
4 to vote to accept or reject this Plan in accordance with the Plan Solicitation Order.

5 **b. Treatment**

6 In full satisfaction, release and discharge of the Class 1C Claim, the District shall surrender
7 to Canon Financial Services, Inc. the collateral for the underlying agreement. The District shall
8 surrender the subject equipment and documentation on or as soon as practicable following the
9 Effective Date.

10 **4. Class 1D – Cardinal Health 110, LLC**

11 Class 1D consists of the Claim asserted by Cardinal Health 110, LLC in the amount of
12 \$838.28, which is purportedly secured by certain funds presently held by Cardinal Health 110,
13 LLC.

14 **a. Impairment and Voting**

15 Class 1D is Unimpaired by this Plan since the treatment of this Class will not affect the
16 legal, equitable, or contractual rights of Cardinal Health 110, LLC. Accordingly, this Class is **not**
17 entitled to vote to accept or reject this Plan in accordance with the Plan Solicitation Order.⁸⁷

18 **b. Treatment**

19 In full satisfaction, release and discharge of the Class 1D Claim, Cardinal Health 110, LLC
20 shall be entitled to retain the funds presently in its possession, which total \$838.28. The remainder
21 of the Claim asserted by Cardinal Health 110, LLC shall be allowed as a General Unsecured Claim
22 in Class 3 in accordance with the proof of Claim filed by Cardinal Health 110, LLC with the
23 Bankruptcy Court.

24 **5. Class 1E – Healthcare Resource Group**

25
26
27 ⁸⁷ The Unimpaired status of the Class 1D Claim held by Cardinal Health 110, LLC shall not affect the right of Cardinal
28 Health 110, LLC, if any, to cast a vote for or against the Plan on account of the portion of its Claim categorized as a
General Unsecured Claim in Class 3.

1 Class 1E ~~is comprised~~ consists of the Disputed Claim asserted by Healthcare Resource
2 Group (~~also known as~~ "HRG") in the amount of \$151,562.73, which is purportedly secured by ~~the~~
3 ~~District's~~ various personal property and general intangible assets of the District or in which the
4 District has an ownership interest. Based on its books and records, HRG received preferential
5 and/or fraudulent transfers avoidable under the Bankruptcy Code and/or California law and, as
6 such, the HRG Claim is unenforceable under section 502(d).

7 **a. Impairment and Voting**

8 Class 1E is Impaired by this Plan since the treatment of this Class will affect the legal,
9 equitable, or contractual rights of Healthcare Resource Group. ~~Accordingly;~~ however, as
10 comprised of a Disputed Claim, this Class is not entitled to vote to accept or reject the Plan in
11 accordance with the Plan Solicitation Order.

12 **b. Treatment**

13 ~~In full satisfaction, release and discharge of the Class 1E Claim~~ As a Disputed Claim, the
14 HRG Claim shall not receive any distributions under the Plan unless and until a court of competent
15 jurisdiction enters a Final Order allowing the HRG Claim or HRG returns any and all avoidable
16 transfers. If the HRG Claim is adjudged valid, enforceable and secured in whole or in part and/or
17 HRG returns any and all avoidable transfers, the District shall make periodic payments to
18 ~~Healthcare Resource Group~~ HRG until the Class 1E Claim is paid in full with interest. Under the
19 Plan, the payments on account of the Class 1E Claim shall ~~be made monthly and~~ begin in the first
20 full month following the allowance of the HRG Claim and/or the return of any and all avoidable
21 transfers. If deemed an Allowed Claim, HRG shall receive monthly payments in the approximate
22 amount of ~~\$1,481.00~~ 2,020.00 per month over the life of the Plan, which ~~accounts for~~ equates to the
23 full amount of the Claim plus interest at a rate of 3.25% *per annum*.

24
25
26 **6. Class 1F – Optum Bank, Inc.**

1 Class 1F is comprised of the Disputed Claim asserted by Optum in the amount of
2 \$1,717,320.24, which is purportedly secured by the District's real property as well as personal
3 property and general intangible assets. The validity and enforceability of the Optum Claim is the
4 subject of the Optum Adversary.

5 **a. Impairment and Voting**

6 Class 1F is Impaired by this Plan since the treatment of this Class will affect the legal,
7 equitable, or contractual rights of Optum. ~~However, as~~ As Class 1F is comprised solely of the
8 Disputed Claim of Optum, Class 1F is not entitled to vote on the Plan ~~unless the Optum Claim is~~
9 ~~estimated for voting purposes pursuant to Bankruptcy Rule 3018(a);~~ however, the District and
10 Optum entered into a stipulation permitting Optum to vote in Class 1F. As such, Class 1F is
11 entitled to vote to accept or reject the Plan in accordance with the Plan Solicitation Order.

12 **b. Treatment**

13 As a Disputed Claim, the Optum Claim shall not receive any distributions under the Plan
14 unless and until a court of competent jurisdiction enters a Final Order allowing the Optum Claim.
15 If the Optum Claim is adjudged valid, enforceable and secured in whole or in part, the District shall
16 pay Optum Cash in an amount equal to the portion of the Optum Claim allowed as a Secured Claim,
17 which may include interest and costs and expenses incurred by Optum in association with the
18 underlying loan, to the extent permitted under the Optum loan agreement and allowed by the Court,
19 no later than one hundred and twenty (120) days following the entry of a Final Order allowing the
20 Optum Claim. If the Optum Claim is adjudged valid and enforceable but not wholly secured, the
21 portion of the Optum Claim adjudged to be a Secured Claim, which may include interest and costs
22 and expenses incurred by Optum in association with the underlying loan, to the extent permitted
23 under the Optum loan agreement and allowed by the Court, shall be treated pursuant to the
24 preceding sentence and any order(s) entered in the Optum Adversary and the remaining Allowed
25 Claim shall be treated as a General Unsecured Claim in Class 3. If the Optum Claim is adjudged
26 invalid and unenforceable, Class 1F shall not receive any distributions under the Plan.
27
28

1 7. **Class 1G – Vi Healthcare Finance, Inc.**

2 Class 1G is comprised of any and all funds advanced to the District by Vi Healthcare
 3 Finance Inc. (“**ViHF**”) pursuant to the \$2,000,000 line of credit extended by ViHF (the “**ViHF**
 4 **LOC**”) that are not repaid prior to the Effective Date. The anticipated balance of the ViHF LOC on
 5 the Effective Date is ~~\$1,447,106, which shall be~~ 1,314,922. The Class 1G Claim is purportedly
 6 secured in accordance with the terms of the ViHF LOC ~~and~~ to the extent permitted under California
 7 law. The Class 1G Claim constitutes a Disputed Claim under the Plan.

8 a. **Impairment and Voting**

9 Class 1G is Impaired by the Plan since the treatment of this Class will affect the legal,
 10 equitable, or contractual rights of ViHF. ~~Accordingly;~~ however, as comprised of a Disputed Claim,
 11 this Class is not entitled to vote to accept or reject the Plan in accordance with the Plan Solicitation
 12 Order.

13 b. **Treatment**

14 The ~~District shall pay any balance owing under the ViHF LOC as of the Effective Date in~~
 15 ~~full on or as soon as practicable following the Effective Date.~~ treatment of Class 1G shall depend on
 16 the outcome of the ViHF Adversary. If the District succeeds in disallowing the ViHF Claim in its
 17 entirety, Class 1G shall not receive any distributions under the Plan. If the Bankruptcy Court
 18 allows the ViHF Claim as a subordinated claim and transfers any security interest(s) associated
 19 therewith to the District, the ViHF Claim shall be treated in a separate class of subordinated
 20 Claims—Class 5. Class 5 shall receive a distribution equal to three percent (3%) of the total claims
 21 in the Class, which shall be paid in a lump sum within one hundred and twenty (120) days after
 22 entry of an order subordinating the ViHF Claim. If the Bankruptcy Court allows the ViHF Claim as
 23 a Class 1G Claim, the District shall pay the Allowed Secured Claim of ViHF in full within one
 24 hundred and twenty (120) days after entry of an order allowing the Class 1G Claim.

25 B. **Class 2 – Post-Petition Claims**

26 Class 2 is comprised of the Claims listed in Exhibit 6.

27 1. **Impairment and Voting**

Class 2 is Impaired by this Plan since the treatment of this Class will affect the legal, equitable, or contractual rights of the holders of Class 2 Claims. Accordingly, this Class is entitled to vote to accept or reject the Plan in accordance with the Plan Solicitation Order.

2. Treatment

In full satisfaction, release and discharge of the Class 2 Claims, holders of Class 2 Claims shall receive Cash on the Effective Date, or as soon thereafter as practicable, in an amount equal to the amount listed for each respective claimant in Exhibit 6.

C. Class 3 – General Unsecured Claims

Class 3 is comprised of the Claims listed in Exhibit 7.⁹⁸

1. Impairment and Voting

Class 3 is Impaired by this Plan since the treatment of this Class will affect the legal, equitable, or contractual rights of the holders of Class 3 Claims. Accordingly, this Class is entitled to vote to accept or reject the Plan in accordance with the Plan Solicitation Order.

2. Treatment

In full satisfaction, release and discharge of the Class 3 Claims, holders of Class 3 Claims shall receive a *pro rata* portion of \$100,000.00, which shall be paid as follows: (a) ~~\$50,000.00 on the Effective Date~~ 25,000.00 on December 31, 2019, or as soon thereafter as practicable; ~~and (b) \$50,000.00 on the last Business Day of 2018.~~ (b) \$25,000.00 on April 30, 2020; (c) \$25,000 on December 31, 2020, or as soon thereafter as practicable; and (d) \$25,000 on April 30, 2021, or as soon thereafter as practicable. In addition to the foregoing distributions, holders of Class 3 Claims shall receive a *pro rata* portion of 25% of any recovery, net of fees, costs, and other administrative expenses associated therewith, from the proposed litigation against HCCA, which shall be paid no later than 120 calendar days following recovery thereof.

3. Class 4 Election

⁹⁸ Exhibit 7 does not include any estimate(s) on account of the potential General Unsecured Claim of Optum, if any. If the Bankruptcy Court rules that Optum is entitled to an allowed General Unsecured Claim, such Claim shall be entitled to a *pro rata* portion of any distributions to Class 3.

Holders of General Unsecured Claims in Class 3 may elect to have their Claim(s) treated as Class 4 Claim(s) by so noting on the Ballot. Any Class 3 Claim electing treatment under Class 4 shall irrevocably forfeit its status as a Class 3 General Unsecured Claim and the holder of such Claim shall be deemed to have accepted payment as a Class 4 Claim in full satisfaction, release and discharge of their Claim.

D. Class 4 – Convenience Claims

Class 4 is comprised of the Claims in an amount of \$250.00 or less. A list of all Class 4 Claims is set forth in Exhibit 8.

1. Impairment and Voting

Class 4 is Impaired by this Plan since the treatment of this Class will affect the legal, equitable, or contractual rights of the holders of Class 4 Claims. Accordingly, this Class is entitled to vote to accept or reject the Plan in accordance with the Plan Solicitation Order.

2. Treatment

In full satisfaction, release and discharge of the Class 4 Claims, holders of Class 4 Claims shall receive Cash on the Effective Date, or as soon thereafter as practicable, in an amount equal to the lesser of (a) the amount of their Allowed Class 4 Claims or (b) \$100.00.

V. ACCEPTANCE OR REJECTION; CRAMDOWN

A. Voting of Claims

Each holder of an Allowed Claim classified into Classes 1A, 1B, 1C, 1EF, 2, 3, and 4 shall be entitled to vote each such Claim to accept or reject this Plan.¹⁰

With respect to any Class of Impaired Claims that fails to accept this Plan, the District intends to request that the Bankruptcy Court nonetheless confirm this Plan pursuant to the so-called “cramdown” powers set forth in section 1129(b).

¹⁰ ~~As the Optum Claim is a Disputed Claim by virtue of the Optum Adversary, Class 1F is not entitled to vote on the Plan. If the Optum Claim is estimated pursuant to Bankruptcy Rule 3018(a) for voting purposes, Class 1F shall be entitled to vote on the Plan and shall be deemed included within the definition of “Voting Classes” for purposes of the Disclosure Statement and Plan.~~

1 **VI. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

2 **A. Assumption of Executory Contracts and Unexpired Leases**

3 Without the need to file any further motions, the District intends to assume and will assume
4 as of the Effective Date all executory contracts and unexpired leases to which it is a party and which
5 was entered into prior to the Petition Date, except (i) for those unexpired leases and executory
6 contracts specifically identified in subsection C. below or (ii) as otherwise provided in this Plan.

7 **B. Cure Payments**

8 To cure any purported default or arrears under the executory contracts and unexpired leases
9 the District plans to assume through the Plan, the District shall make the cure payments listed on
10 Exhibit 9.⁴⁴⁹ The Bankruptcy Court shall resolve all disputes regarding: (i) the amount of any cure
11 payment to be made in connection with the assumption of any contract or lease; (ii) the ability of
12 the District to provide “adequate assurance of future performance” within the meaning of section
13 365 under the contract or lease to be assumed; and (iii) any other matter pertaining to such
14 assumption and assignment. If any party to an executory contract or unexpired lease that is to be
15 assumed by the District asserts that the proposed cure payment is insufficient or some other
16 performance is required to assume the subject contract or lease, such party shall file with the
17 Bankruptcy Court and serve upon the District a written statement and accompanying declaration in
18 support thereof specifying the basis for its position and accounting for the purported amount owing
19 under the subject contract or lease not later than thirty (30) days ~~after~~^{before} the Confirmation
20 ~~Date~~^{Hearing}. The failure to timely file and serve such a statement shall be deemed to be a waiver
21 of any and all objections to the proposed assumption, including, without limitation, any objection
22 pertaining to the adequacy of the proposed cure payment.

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27 ⁴⁴⁹ If an executory contract or unexpired lease is not identified on Exhibit 9, the District shall not make any cure
28 payment to any party or parties to such agreement as the District does not have any record of any outstanding amount
owing under the subject agreement. The omission of the subject contract or lease, however, shall not in any way affect
the assumption of the subject agreement by and through the Plan.

C. Rejection of Executory Contracts and Unexpired Leases¹⁰

Without the need to file any further motions, the District elects to reject and shall be deemed to have rejected as of the Effective Date the following executory contracts and unexpired leases:¹²¹¹

- Master Lease Agreement dated as of November 13, 2012 between the District, as lessee, and General Electric Capital Corporation, as lessor, and all other leases based thereon, pertaining to, among other things, a Proteus X Ray XR/a 65W Radiographic System;
- Lease dated March 7, 2013 between the District, as lessee, and Thermo Fisher Financial Services, Inc., as lessor, and/or Bank of the West, as assignee of Thermo Fisher Financial Services, Inc., pertaining to an Abbott iSTAT 1 Upgrade from 200 Series and related equipment and documentation;
- Agreement dated October 9, 2014, between the District and Thermo Fisher Financial Services, Inc., pertaining to a VITROS 350 Chemistry System;
- Lease between the District, as lessee, and Healthland, Inc., as lessor, pertaining to certain medical billing hardware and software;
- Lease No. x005 between the District, as lessee, and Canon Financial Services, as lessor, pertaining to Canon ImageRunner 1730iF (serial number x4453);
- Lease No. x006 between the District, as lessee, and Canon Financial Services, as lessor, pertaining to Canon ImageRunner Advance 6255 (serial number x1950);
- Lease No. x007 between the District, as lessee, and Canon Financial Services, as lessor, pertaining to Canon ImageRunner 1730iF (serial number x4451);
- Lease No. x008 between the District, as lessee, and Canon Financial Services, as lessor, pertaining to IRA 4235 (serial number x1785), IRA 1025iF (serial number

¹⁰ The Management Services Agreement (“MSA”) by and between the District and HCCA was rejected via stipulation prior to the preparation and submission of the Plan. See D.E. 377. As such, the MSA is not listed in this section. The exclusion of the MSA shall not in any way alter the prior rejection of the MSA or the agreement(s) of the District and HCCA relation to such rejection.

¹²¹¹ Any reference contained herein to an agreement as a “lease” shall not constitute an admission regarding whether the subject agreement constitutes “true lease” under applicable law.

- x5469), IRA 400iF (serial number x2533), IRA 400iF (serial number x1857), IRA 400iF (serial number x1862), and IR 1730iF (service only) (serial number x5155);
- Agreement between the District and Celleration Inc.;
 - Employment Agreement between the District, as employer, and Dr. Kenneth L. Saeger, as employee;
 - Employment Agreement between the District, as employer, and Dr. Milton R. Jones, as employee;
 - Employment Agreement between the District, as employer, and Dr. Steve Chong Luo, as employee;
 - Service Agreement between the District and Laboratory Specialists International, as service provider;
 - Lease between the District, as lessee, and Marlin Leasing Corporation, as lessor, pertaining to certain medical equipment, including a Horiba Medial Pentra 60 C+, two Unimac Natural Gas Dryers, and one Ultrascan table;
 - Agreement between the District and T System, Inc.; and
 - Agreement between the District and Tosoh Bioscience, Inc.

D. Claims Arising from Rejection

~~Proofs~~ Unless otherwise agreed by the District and the counterparty or counterparties to the subject contract or lease, proofs of Claim arising from the rejection of executory contracts or unexpired leases must be filed with the Bankruptcy Court and served on the District no later than thirty (30) days after the Effective Date. The failure to properly and timely assert a rejection damages Claim pursuant to this Section VI.D. shall result in such Claim being forever barred and rendered unenforceable against the District or its assets, properties, or interests in property. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely filed as provided herein shall be classified into Class 3 (General Unsecured Claims) and treated accordingly.

VII. IMPLEMENTATION AND MEANS FOR IMPLEMENTATION OF THIS PLAN

Under the Plan, the District shall be required to make Cash disbursements over a term of years totaling approximately \$~~6,732,730~~¹³ 1,333,071 while paying the costs and expenses associated with maintaining the operations of the District's facilities and services, including, without limitation, costs associated with staffing, supplies and equipment, and capital expenditures for the acquisition of new equipment and maintenance of the District's facilities, which total approximately \$~~10,534,350~~ 9,476,530 per year.

As discussed in greater detail in the Disclosure Statement, the Plan will be funded utilizing the following sources:

- Cash on Hand. The District estimates that it will have approximately \$~~2,817,400~~ 311,131 in cash on hand on the Effective Date.
- Operations. The District estimates that it will generate approximately \$~~8,930,410~~ 9,754,532 per year from the operations.¹⁴¹²
- ~~Bond Revenues. The District shall receive approximately \$4,500,000 from the issuance of \$5,000,000 in general obligation bonds. The issuance of such bonds and receipt of the revenues therefrom shall occur on or before the Effective Date, which is projected to occur in or about March 2018.~~
- Tax Revenues. The District shall receive approximately \$900,000 per year on account on approved tax assessments.
- Parcel Tax Revenues. Prior to the Effective Date, the District shall seek approval of an additional parcel tax assessment. The District shall seek approval of the parcel tax initiative as part of the general election in ~~November 2017~~ April 2018. The parcel tax initiative shall result in additional revenues of \$~~350,000~~ 602,000 per year, which shall be receive bi-annually in April and December of each calendar year, beginning in ~~April~~ December 2018.

¹³ ~~This figure assumes payment of the Optum Claim in full. If the Optum Claim is disallowed, the distributions under the Plan will total approximately \$2,734,000.~~

¹⁴¹² The estimated operational revenues includes the estimated revenues from the facility for ~~psychiatric holds pursuant to California Welfare & Institutions Code § 5150 and~~ medical infusion services.

- 1 • Transient Occupancy Tax. Prior to the Effective Date, the District shall seek
2 approval of an ~~increase~~allocation of one percent (1%) of the Transient Occupancy
3 Tax (TOT) ~~of 1% in 2018 (increasing the TOT from 12% to 13%) and 2% in 2021~~
4 ~~(increasing the TOT to 14%) and allocation of the additional TOT revenues to~~
5 ~~District operations and debt servicing~~to the District. Based on historical TOT
6 revenues, the District estimates that the ~~increased~~ TOT allocation will result in
7 additional revenues of ~~\$268,000~~\$34,600 per year ~~for 2018 through 2020 and~~
8 ~~\$536,000 per year for 2021 through 2025.~~ The District shall receive the TOT
9 revenues in December of each calendar year.
- 10 • Inyo County Treasury Loan. In accordance with its prior practices, the District
11 intends to borrow funds from Inyo County to the extent necessary to cover any cash
12 shortage during the term of the Plan. The District would repay any such loan(s) with
13 interest upon receipt of funds from the Intergovernmental Transfer program
14 (described in Exhibit 5 as "Supplemental Funds") or upon the availability of funds.
15 Interest on such loans accrues at the rate of the current Local Agency Investment
16 Fund at the time of financing plus 100 basis points.
- 17 • ~~ViHF LOC~~. ~~In addition to its revenue sources, the District also has access to a~~
18 ~~\$2,000,000 line of credit with ViHF.~~ Litigation Proceeds. As discussed *supra*, the
19 District intends to commence litigation against certain individuals and entities. If
20 successfully, the District may obtain damages in excess of \$6,000,000 and avoid
21 certain fraudulent and/or preferential payments to creditors. Such funds will be
22 available for the payment of Claims under the Plan and the maintenance of the
23 District's operations.

24 In sum, pursuant to the Plan, the District shall have approximately ~~\$7,317,400 in readily~~
25 ~~available funds (\$2,817,400 from~~311,131 in cash on hand and ~~\$4,500,000 from the bond issuance)~~
26 ~~and~~ approximately ~~\$10,678,000~~10,391,150 in revenues per year. As a result, and as the projections
27 reflect, the District shall be able to maintain operations so that it can continue providing desperately
28

1 needed medical treatment to the community at large and make all payments required under the
2 Plan.

3 **VIII. RESERVATION OF RIGHTS OF ACTION**

4 All of the District's claims, causes of action, rights of recovery, rights of offset, rights of
5 recoupment, rights to refunds, and similar rights shall be retained by the District. The failure to list
6 in the Disclosure Statement any potential or existing Right of Action retained by the District is not
7 intended to and shall not limit the rights of the District to pursue any such action. Unless a Right of
8 Action is expressly waived, relinquished, released, compromised, or settled (in this Plan or
9 otherwise), the District expressly reserves all Rights of Action for later adjudication and, as a result,
10 no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion,
11 claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Rights
12 of Action upon or after the confirmation or consummation of this Plan or the Effective Date. In
13 addition, the District expressly reserves the right to pursue or adopt against any other entity any
14 claims alleged in any lawsuit in which the District is a defendant or an interested party.

15 **IX. DISTRIBUTIONS**

16 **A. Disbursing Agent**

17 On and after the Effective Date, the District shall serve as disbursing agent for payments to
18 be made under this Plan in accordance with section 944. Notwithstanding, the District may retain
19 one or more agents to perform or assist it in making distributions pursuant to this Plan, which
20 agents may serve without bond. The District may provide reasonable compensation to any such
21 agent(s) without further notice or Bankruptcy Court approval.

22 **B. Delivery of Distributions**

23 All distributions to any holder of an Allowed Claim shall be made at the address of such
24 holder as set forth in the books and records of the District or its agents unless (i) the holder has
25 designated an alternate address for payment in a proof of Claim filed with Bankruptcy Court or (ii)
26 specifies an alternate address on its Ballot. Any and all notifications of address changes and all
27 address confirmations should be mailed to: ~~Sonia Gaeta~~[Karla Hernandez](#) at Baker & Hostetler LLP,
28

1 11601 Wilshire Boulevard, Suite 1400, Los Angeles, California 90024, or
2 ~~sgaeta~~khernandez@bakerlaw.com.

3 **C. Undeliverable Distributions**

4 **1. Holding of Undeliverable Distributions**

5 If any distribution to a holder of an Allowed Claim is returned to the District or its agent as
6 undeliverable, no further distributions shall be made to such holder unless and until the District is
7 notified in writing of such holder's then-current address. Unless and until the District is so notified,
8 such distribution shall be deemed to be "Unclaimed Property" and shall be set aside and held in a
9 segregated account to be administered pursuant to Section IX.C.

10 **2. Notification and Forfeiture of Unclaimed Property**

11 On the first anniversary of the Effective Date, the District will file with the Bankruptcy
12 Court a list of Unclaimed Property, together with a schedule that identified the name and
13 last-known address of the individuals and entities entitled to the Unclaimed Property. The District
14 shall not be otherwise required to attempt to locate any such individual or entity. On the second
15 anniversary of the Effective Date, all remaining Unclaimed Property and accrued interest or
16 dividends earned thereon will be remitted to and vest in the District. Additionally, such individuals
17 and entities shall be deemed to have waived and forfeited their right to any future payments under
18 the Plan and such funds shall be retained by the District. Notwithstanding the non-payment of any
19 forfeited Claims, such Claims shall be deemed satisfied and discharged as if paid pursuant to the
20 terms of the Plan.

21 **D. Distribution of Cash**

22 Any payment of Cash to be made by the District or its agent pursuant to this Plan shall be
23 made by check drawn on a domestic bank or by wire transfer, at the sole option of the District.

24 **E. Timeliness of Payments**

25 Any payments or distributions to be made pursuant to this Plan shall be deemed to be timely
26 made if made within fourteen (14) Business Days after the date(s) specified in this Plan. Whenever
27 any distribution to be made under this Plan is due on a day that is not a Business Day, such
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1 distribution instead shall be made, without interest, on the immediately succeeding Business Day,
2 but shall be deemed to have been made on the date due.

3 **F. Default and Cure**

4 In the event the District fails to make any payment required under this Plan in a timely
5 manner, the affected creditors shall serve the District with a notice of default not later than thirty
6 (30) days after the purported default along with any documentation supporting the allegation of an
7 alleged default. Not later than sixty (60) days after receipt of the notice of default, the District shall
8 either (i) cure the default or (ii) serve the affected creditor(s) with a statement and supporting
9 documentation contesting the allegation of default. In the event the District contests an alleged
10 default, not later than five (5) Business Days after serving a response to a purported default, the
11 District shall file a motion with the Bankruptcy Court requesting a resolution of the dispute relating
12 to the alleged default and set the motion for hearing on the first available hearing date not sooner
13 than fourteen (14) days after filing the motion. If the Bankruptcy Court rules that the non-payment
14 constitutes an event of default under the Plan, the District shall cure the purported default not later
15 than five (5) Business Days following the entry of a Final Order of the Bankruptcy Court adopting
16 the finding with respect to the purported default.

17 **G. Compliance with Tax Requirements**

18 Any and all distributions pursuant to the Plan shall be subject to any applicable tax
19 withholding and reporting requirements imposed on it by any governmental unit. In connection
20 with each distribution which requires the filing of an information return (such as Internal Revenue
21 Service Form 1099 or 1042) or withholding, the District shall file such information return with the
22 Internal Revenue Service and provide any required statements in connection therewith to the
23 recipients of such distribution, or effect any such withholding and deposit all moneys so withheld to
24 the extent required by law. With respect to any entity from whom a tax identification number,
25 certified tax identification number, or other tax information is required by law to avoid withholding
26 has not been received by the District at the time the district is to be made, the District, at its sole
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option, may withhold the amount required and distribute the balance to such entity or the District may decline to make such distribution(s) until the information is received.

H. Time Bar to Cash Payments

Checks issued by the District on account of Allowed Claims will be null and void if not negotiated with ninety (90) days from and after the date of issuance thereof. Requests for reissuance of any check shall be submitted in writing to: ~~Sonia Gaeta~~ [Karla Hernandez](#), Baker & Hostetler LLP, 11601 Wilshire Boulevard, Suite 1400, Los Angeles, California ~~90024~~ [90024](#) or via [email addressed to khernandez@bakerlaw.com](mailto:khernandez@bakerlaw.com). Any request for reissuance of an expired check must be not later than 180 calendar days following the initial issuance of the subject check. After such date, the amounts stated in the voided check(s) shall be deemed forfeited and the District shall retain such funds. Any amounts forfeited pursuant to the preceding sentence shall be deemed paid to and received by the subject claimant for purposes of calculating the amounts owing to such creditor under the Plan.

I. No De Minimis Distributions

With the exception of Class 4 Claims (Convenience Class Claims), no payment of less than ten dollars (US\$10.00) will be made by the District on account of any Allowed Claim.

J. No Distributions on Account of Disputed Claims or Disallowed Claims

Notwithstanding anything to the contrary in this Plan, no distributions shall be made on account of any part of any Disputed Claim or Disallowed Claim unless and until such Claim becomes an Allowed Claim and only to the extent such Claim constitutes an Allowed Claim. Distributions made after the Effective Date with respect to Claims that were not Allowed Claims as of the Effective Date, but are later determined to be Allowed Claims, shall be deemed to have been made on time and in accordance with the terms of the Plan.

If any distributions are made prior to the resolution of a dispute pertaining to a Claim, the portion that would be payable on account of such Claim if such Claim was an Allowed Claim, shall be held in a segregated bank account. If the Claim is subsequently adjudicated to be an Allowed

Claim, the segregated funds shall be distributed to the holder of such Claim. Any interest accrued on account of the segregated funds shall be paid to and retained by the District.

K. No Post-Petition Date Accrual

Unless otherwise specifically provided in the Plan, specifically agreed to by the District in writing, or allowed by order of the Bankruptcy Court, the District will not be required to pay to any holder of a Claim any interest, penalty or late charge accruing with respect to such Claim on or after the Petition Date.

X. DISPUTED CLAIMS; OBJECTIONS TO CLAIMS; PROSECUTION OF OBJECTIONS TO DISPUTED CLAIMS

A. Claim Objection Deadline; Prosecution of Objections

The District shall have the right to object to the allowance of Claims filed with the Bankruptcy Court with respect to which liability or allowance is disputed in whole or in part. Unless otherwise ordered by the Bankruptcy Court, the District shall file and serve any such objections to Claims (whether by motion or commencement of an adversary proceeding) by not later than one hundred and eighty (180) days after the Effective Date (or, in the case of Claims properly filed after the Effective Date, by not later than one hundred and eighty (180) days after the date of filing of such Claims).

B. Reserves, Payments and Distributions with Respect to Disputed Claims

At such time as a Disputed Claim becomes an Allowed Claim, in whole or in part, the District or its agent shall distribute to the holder thereof the distributions, if any, to which such holder is then entitled under the Plan in the manner set forth in the Plan. Such distributions, if any, shall be made as soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing such Claim becomes a Final Order, but in no event more than sixty (60) days thereafter, unless otherwise provided in the Plan, order of the Bankruptcy Court, or agreement between the District and the subject Claim holder. Unless otherwise specifically provided in the Plan or allowed by order of the Bankruptcy Court, no interest will be paid on Disputed Claims that later become Allowed Claims.

XI. EFFECT OF CONFIRMATION

A. Discharge of the District

Pursuant to section 944, upon ~~completion of all payments required under~~ the substantial consummation of this Plan, the District shall be discharged from all debts (as defined in the Bankruptcy Code) of the District and Claims against the District other than (i) any debt specifically and expressly excepted from discharge by this Plan or the Confirmation Order and (ii) any debt owed to an entity that, before the confirmation of this Plan, had neither notice nor actual knowledge of the Chapter 9 Case. Substantial consummation, as defined in 11 U.S.C. §1101(2), shall mean: (1) a transfer of all or substantially all of the property proposed by the Plan to be transferred; (2) assumption by the District or by any successor to the District under the Plan of the business or of the management of all or substantially all of the property dealt with by the Plan; and (3) commencement of Distributions under the Plan. Upon substantial consummation of the Plan, the District shall file with the Court and serve upon all interested parties a notice of substantial consummation of the Plan.

The rights afforded in this Plan and the treatment of all holders of Claims, whether Impaired or Unimpaired, shall be in exchange for and in complete satisfaction, discharge and release of all Claims of any nature whatsoever arising on or before the Effective Date, known or unknown, including any interest accrued or expenses incurred thereon from and after the Petition Date, whether against the District or any of its properties, assets or interests in property. Except as otherwise provided herein, upon the Effective Date, all Claims against the District shall be deemed satisfied, discharged, and released in full, whether Impaired or Unimpaired.

B. Injunction

~~Except as otherwise expressly provided in this Plan, all entities who have held, hold or may hold Pre-Confirmation Date Claims shall be permanently enjoined from and after the Confirmation Date from: (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Pre-Confirmation Date Claims against the District or its property; (ii) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award,~~

~~deed or order against the District or its property with respect to such Pre-Confirmation Date Claims; (iii) creating, perfecting, or enforcing any lien or encumbrance of any kind against the District or its property; and (iv) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due to the District with respect to any such Pre-Confirmation Date Claims.~~

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS PLAN, ALL ENTITIES WHO HAVE HELD, HOLD OR MAY HOLD PRE-CONFIRMATION DATE CLAIMS SHALL BE PERMANENTLY ENJOINED FROM AND AFTER THE CONFIRMATION DATE FROM: (I) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND WITH RESPECT TO ANY SUCH PRE-CONFIRMATION DATE CLAIMS AGAINST THE DISTRICT OR ITS PROPERTY; (II) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST THE DISTRICT OR ITS PROPERTY WITH RESPECT TO SUCH PRE-CONFIRMATION DATE CLAIMS; (III) CREATING, PERFECTING, OR ENFORCING ANY LIEN OR ENCUMBRANCE OF ANY KIND AGAINST THE DISTRICT OR ITS PROPERTY; AND (IV) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE TO THE DISTRICT WITH RESPECT TO ANY SUCH PRE-CONFIRMATION DATE CLAIMS.

C. Term of Existing Injunctions or Stays

Unless otherwise provided, all injunctions or stays provided for in the Chapter 9 Case pursuant to sections 105, 362, or 922, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect unless and until the District receives a discharge in accordance with Section XI.A.

D. Exculpation

Except with respect to obligations specifically arising pursuant to or preserved in this Plan, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and

1 exculpated from, any claim, obligation, cause of action or liability for any claim in connection with
2 or arising prior to or on the Effective Date for any act taken in connection with, or related to, (i) the
3 administration of the Chapter 9 Case, (ii) the negotiations, pursuit, confirmation, solicitation of
4 votes for, consummation or implementation of the Plan, (iii) the administration of the Plan or
5 property to be distributed under the Plan, (iv) the Cal. Gov't Code § 53760 process or compliance
6 therewith, (v) any document, release, contract, or other instrument entered into in connection with,
7 or related to, the Plan, and/or (vi) any other transaction contemplated by or entered into in
8 connection with the Plan or entered into during the administration of the Chapter 9 Case; *provided*,
9 *however*, that nothing in this Section XI.D. shall be deemed to release or exculpate any Exculpated
10 Party for its willful misconduct or gross negligence. In all respects, each Exculpated Party shall be
11 entitled to reasonably rely upon the advice of counsel with respect to its duties and responsibilities
12 pursuant to the Plan.

13 E. Good Faith Compromise

14 In consideration for the distributions and other benefits provided under this Plan, the
15 provisions of this Plan, including, without limitation, the exculpation provision contained in
16 Section XI.D. of this Plan, constitute a good faith compromise and settlement of all Claims, causes
17 of action and/or controversies relating to the rights that a holder of a Claim may have with respect
18 to the District, any distributions to be made pursuant to the Plan on account of any such Claim, and
19 any and all Claims and causes of action of any party. The entry of the Confirmation Order
20 constitutes the Bankruptcy Court's approval, as of the Effective Date, of the compromise or
21 settlement of all such Claims and/or controversies and the Bankruptcy Court's finding that all such
22 compromises or settlements are in the best interests of the District and the holders of Claims, and
23 are fair, equitable, and reasonable.

24 XII. RETENTION OF AND CONSENT TO JURISDICTION

25 Following the Effective Date, and in accordance with section 945, the Bankruptcy Court
26 shall retain and have exclusive jurisdiction over any matter arising under the Bankruptcy Code and
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1 relating to the District and/or arising in or related to the Chapter 9 Case or this Plan or the
2 documents filed in support thereof, including, but not limited to:

3 1. The assumption, assumption and assignment, or rejection of any executory contract
4 or unexpired lease to which the District is a party or with respect to which the District may be liable,
5 and to hear, determine, and, if necessary, liquidate any Claims arising therefrom;

6 2. The entry or orders as may be necessary or appropriate to implement or consummate
7 the provisions of this Plan, and all other contracts, settlement agreements, instruments, releases,
8 exculpations, and other agreements or documents related to this Plan;

9 3. Any and all motions, adversary proceedings, applications, and contested or litigated
10 matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by
11 the District after the Effective Date or that are instituted by any holder of a Claim before or after the
12 Effective Date concerning any matter based upon, arising out of, or relating to the Chapter 9 Case,
13 whether or not such action is initially filed in the Bankruptcy Court or any other court, including,
14 without limitation, the Optum Adversary;

15 4. Distributions to holders of Allowed Claims pursuant to this Plan;

16 5. Any objections to Claims or to proofs of Claim filed, both before and after the
17 Effective Date, including any objections to the classification of any Claim, and motions to allow,
18 disallow, determine, liquidate, classify, estimate or establish the priority of or secured or unsecured
19 status of any Claim, in whole or in part;

20 6. The entry of orders as may be appropriate in the event the Confirmation Order is for
21 any reason stayed, revoked, modified, reversed or vacated;

22 7. The entry of orders in aid of execution of this Plan, to the extent authorized by
23 section 1142(b);

24 8. Modifications to this Plan, the cure of any defect or omission, or the reconciliation
25 any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order;

26 9. Disputes or controversies arising in connection with or relating to this Plan or the
27 Confirmation Order or the interpretation, implementation, or enforcement of this Plan or the
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1 Confirmation Order or the extent of any entity's obligations incurred in connection with, released,
2 enjoined, or exculpated under this Plan or the Confirmation Order;

3 10. The issuance of injunctions, entry and implementation of other orders, or such other
4 actions as may be necessary or appropriate to restrain interference by any entity with
5 consummation or enforcement of this Plan;

6 11. Any other matters that may arise in connection with or are related to this Plan, the
7 Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other
8 agreement or document related to this Plan or the Disclosure Statement;

9 12. Any other matter for any purpose specified in the Confirmation Order that is not
10 inconsistent with the Bankruptcy Code; and

11 13. Any and all disputes or controversies arising in connection with or relating to the
12 terms or enforcement of any relevant agreements.

13 **XIII. CONDITIONS PRECEDENT**

14 **A. Condition Precedent to Confirmation**

15 The Plan shall not be confirmed unless and until the following conditions precedent have
16 been satisfied or waived: (1) the Plan satisfies the requirements of section 943(b) of the Bankruptcy
17 Code, as applicable; (2) the District has received any and all authorizations, consents, regulatory
18 approvals, rulings, no-action letters, opinions, and documents that are necessary to implement the
19 Plan and that are required by law, regulation or order, including, but not limited to, those required
20 under section 943(b)(6) of the Bankruptcy Code; and (3) the Bankruptcy Court enters a
21 Confirmation Order in a form and substance satisfactory to the District.

22 **B. Conditions Precedent to Effective Date**

23 The Effective Date shall not occur and this Plan shall be of no force and effect unless or
24 until following conditions precedent have been satisfied or waived:

25 1. **Confirmation Order.** The Confirmation Order shall have been entered,
26 shall be in full force and effect, and shall be a Final Order.

2. **Plan Documents.** All agreements and instruments contemplated by, or to be entered into pursuant to, this Plan shall be in form and substance acceptable to the District and shall have been duly and validly executed and delivered, or deemed executed by the parties thereto, and all conditions to their effectiveness shall have been satisfied or waived.

3. **Approval of ~~Bond and~~ Tax Measures.** The District shall have received approval of the ~~Bond Measure as well as the~~ parcel tax and transient occupancy tax initiatives, ~~and shall have received the funds derived from the Bond Measure.~~

4. **Timing.** The Effective Date shall occur on the first Business Day after which the conditions set forth in Section XIII.B. are satisfied or waived.

~~C. — Condition to Effective Date Payments~~

~~As a condition precedent to the payment of any Claim for which payment is due under the Plan, the District shall have paid any and all Post-Petition Claims incurred or arising between July 14, 2017 and the date immediately preceding the Effective Date.~~

C. ~~D.~~ **Waiver of Conditions Precedent to Effective Date**

The District may waive in whole or in part any condition to the Effective Date of this Plan or the payment of any Claim on or as soon as practicable after the Effective Date. Any such waiver of a condition may be effected at any time, without notice or leave or order of the Bankruptcy Court and without any formal action, other than the filing of a notice of such waiver with the Bankruptcy Court.

D. ~~E.~~ **Effect of Failure of Conditions**

In the event that the conditions to the Effective Date of this Plan have not been timely satisfied or waived, and upon notification submitted by the District to the Bankruptcy Court, (i) the Confirmation Order shall be vacated, (ii) no distributions under this Plan shall be made, (iii) the District and all holders of Claims shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred, and (iv) all of the District's obligations with respect to the Claims shall remain unchanged and nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or

1 against the District or any other entity or to prejudice in any manner the rights, remedies, or claims
2 of the District or any entity in any further proceeding involving the District.

3 E. ~~F.~~ **No Admission of Liability**

4 The Plan constitutes a settlement and compromise between and among the District and
5 various parties. The Plan shall not be deemed an admission or concession with respect to any
6 factual or legal contention, right, defense, or position taken by the District.

7 **XIV. MISCELLANEOUS PROVISIONS**

8 **A. Dissolution of the Committee**

9 On the Effective Date, the Committee shall be released and discharged of and from all
10 further authority, duties, responsibilities, and obligations relating to and arising from and in
11 connection with the Chapter 9 Case and the Committee shall be deemed dissolved and its
12 appointment terminated. Any professionals retained by the Committee and/or the members thereof
13 shall not be entitled to compensation or reimbursement of expenses for any services rendered or
14 expenses incurred.

15 **B. Severability**

16 If any term or provision of this Plan is held by the Bankruptcy Court or any other court of
17 competent jurisdiction to be invalid, void, or unenforceable, the Bankruptcy Court, in each such
18 case at the election of and with the consent of the District, shall have the power to alter and interpret
19 such term or provision to make it valid or enforceable to the maximum extent practicable,
20 consistent with the original purpose of the term or provision held to be invalid, void, or
21 unenforceable, and such term or provision shall then be applicable as altered or interpreted.
22 Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and
23 provisions of this Plan shall remain in full force and effect and shall in no way be affected,
24 impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order
25 shall constitute a judicial determination and shall provide that each term and provision of this Plan,
26 as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable
27 pursuant to its terms.
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1 **C. Governing Law**

2 Except to the extent that the Bankruptcy Code or other federal law is applicable, the rights,
3 duties, and obligations arising under this Plan shall be governed by and construed and enforced in
4 accordance with the laws of the State of California, without giving effect to principles of conflicts
5 of laws.

6 **D. Effectuating Documents and Further Transactions**

7 Each of the officials and employees of the District is authorized to execute, deliver, file, or
8 record such contracts, instruments, releases, indentures, and other agreements or documents and
9 take such actions as may be necessary or appropriate to effectuate and further evidence the terms
10 and provisions of this Plan.

11 **E. Acceleration of Payments**

12 The District in its sole and absolute discretion may accelerate the payment(s) of any or all of
13 the payments required under the Plan without the need for further order of the Bankruptcy Court, *so*
14 *long as* the acceleration of payment(s) does not render the District unable to pay operational
15 expenses on a going forward basis or meet its obligations under the Plan. The accelerated payment
16 of any Claim pursuant to this provision shall not result in any pre-payment penalty or premium or
17 any additional liability for the District.

18 **F. Delivery of Notices**

19 Unless otherwise provided herein, any and all notices required under this Plan shall be
20 delivered to counsel for the District via email addressed to amcdow@bakerlaw.com and
21 ~~sgaeta~~khernandez@bakerlaw.com **and** by U.S. Mail, postage prepaid, addressed to:

22 Southern Inyo Healthcare District
23 c/o Ashley M. McDow, Esq.
24 Baker & Hostetler LLP
25 11601 Wilshire Blvd., Ste. 1400
26 Los Angeles, CA 90025

27 The District may change the address for service of notices under the Plan at any time by filing a
28 notice of change of address with the Bankruptcy Court and serving the same on all creditors and

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ATTORNEYS AT LAW
LOS ANGELES

interested parties. Any notice that is not delivered in accordance with this paragraph or as directed in any change of address notification for the District shall be deemed ineffective.

G. Notice of Effective Date

On or before fourteen (14) days after occurrence of the Effective Date, the District or its agent shall mail or cause to be mailed to all holders of Allowed Claims a notice that informs such holders of: (i) entry of the Confirmation Order; (ii) the occurrence of the Effective Date; (iii) the deadline for the filing of Claims arising from such rejection of any executory contract or unexpired lease; (iv) the deadline established under this Plan for the filing of Administrative Claims and/or Professional Claims; (v) the procedures for changing an address of record pursuant to Section IX.B.; and (vi) such other matters as the District deems to be appropriate.

Dated: ~~July 19, 2017~~January 17, 2018 SOUTHERN INYO HEALTHCARE DISTRICT

By: /s/ ~~Jaquie Hickman~~ Mark Lacey [signature to follow]
~~Jaquie~~Mark ~~Hickman~~Lacey

~~Secretary~~Vice President of the Board of Directors for
Southern Inyo Healthcare District

Submitted by:

BAKER & HOSTETLER LLP

By: /s/ Michael T. Delaney
Ashley M. McDow
Michael T. Delaney

Attorneys for Debtor,
SOUTHERN INYO HEALTHCARE DISTRICT

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